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Community Capacity Draining: The Impact of Current Funding Practices on Non-Profit Community Organizations

Community Social Planning Council of Toronto
In collaboration with the City Community Workgroup on Core Funding
By Lynn Eakin, Lynn Eakin & Associates

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Across Boundaries
City Of York Community Information Centre
COSTI Immigrant Services
Catholic Cross-Cultural Services (CCS)
Davenport Perth Neighbourhood Centre
Doorsteps Neighbourhood Services
East End Literacy
Education Wife Assault
Jane Finch Community and Family Centre
Lake Shore Area Multi-services Project (LAMP)
Malvern
North York Community House
Open Door Centre
Parkdale Activity Recreation Centre (PARC)
Sistering
St Christopher House
St Stephens Community House
Tropicana Community Services
Warden Woods Community Centre
Willowridge
Youthlink

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Report Synopsis

The revenues and expenditures of ten non-profit community organizations were analysed using a structured framework and common definitions. Data was collected on 155 discreetly funded programs totalling 36.5 million dollars (96% government funded). The analysis found that service programs were under-funded on average 14%. Chief areas of under funding are employee benefits, frontd2.55Td1.45 TD990 d02 Tcup0.31s6.1(derit commucommommnity org69 on)TJ8.7214

The diversity and local nature of community organizations is one of its strengths and gives the sector its extraordinary involvement in, and connection to, community but it also means it is very difficult for the sector to speak with one voice and make their needs known. In a time of scare resources and changing funding patterns community organizations are most at risk of being overlooked. Indeed, this project focuses on community organizations in the City of Toronto precisely because a joint City/Community Working Group identified them as at risk and lacking long-term sustainability.

This project is the third of three building blocks that lay the groundwork for funding reform.

- The first component is the Government of Canada's *Accord* with the Voluntary Sector and the *Code of Good Practice on Funding* that provides the policy framework for funding reform.[1]
- The second building block is the recent research profiling the difficulties facing the non-profit sector in Canada and making the case for funding reform to ensure the sustainability of the community non-profit sector.
- The third, the subject of this report, is a detailed analysis of agency financing using a common framework across programs, funders and organizations.

The detailed data analysis undertaken in this report has provided new insight into the complex tangle of agency financing. The information learned significantly enhances and alters current understanding of the financing of non-profit community organizations and suggests clear directions for the reform of funding practices.

As we consulted with a cross section of people involved with community organizations and funding bodies who had generously agreed to review early drafts, we were struck by the strong emotions this report generated, even in individuals who were aware of the problems in the sector and were working to fix them. In the human services, learning that "actions intended to help" may be falling short or creating additional problems is a hard message to hear. It is different from the private sector where, when profits are down, action is immediately taken because the bottom line drives decision-making. In the human services everyone involved - funders, board members, staff and volunteers - have a personal investment in helping people and communities thrive. This personal commitment is precisely what makes the community service sector so unique but it can also be a liability if those involved are not willing to hear about problems and make the necessary changes.

The funding problems in the sector are systemic. Everyone is caught in playing their part. Executive Directors submit proposals that fall short of actual costs because previous proposals requesting full cost recovery were not funded. The choices include: providing no service for the community or accepting funding that falls short of actual costs. Boards of Directors have not been advocating for change in funding practices because they were not aware of the full picture. Fragmented funding has meant there has been no overview on how the sector is faring so each organization has been struggling alone. Fund administrators do what they can to work through the many funding restrictions and regulations but with year after year of no increases to funding,

[1] Voluntary Sector Initiative, *An Accord between the Government of Canada and the Voluntary Sector*, and *A Code of Good Practice on Funding: Building an Accord Between the Government of Canada and the Voluntary Sector*, Canada 2000

they are under pressure to stretch the service dollar without fully understanding the "community cost" of the systemic and chronic under-funding.

With this study we can now identify the extent of the deterioration of capacity in our community organizations resulting from the systemic under-funding of service programs. We can see how this under funding is draining community organizations of their ability to be active in their communities and reducing their organizational capacity to such an extent that their ongoing sustainability is in serious question.

As this study progressed and the extent and nature of the funding problems became known we began to question whether current funding models can be adapted to accommodate the realities and capacities of community agencies or if the models themselves need substantive changes.

In Canada we are slow to address this problem. In the wake of 9/11, Enron, Walkerton, and SARS, the world is a different place and some forgotten communal values have taken on renewed importance. Throughout the developed world, there is growing recognition of the importance of strong communities, strong democracies and active and engaged citizens. Indeed, in Canada we lag behind other countries in recommitting and reinvesting in non-profit organizations as a key component in building strong and safe communities.[2]

1.1 Code of Good Practice on Funding

In December 2001, the first building block for funding reform was signed. The *Accord between the Government of Canada and the Voluntary Sector* acknowledges the important role voluntary organizations play in Canadian society and the need that those organizations have for a sustainable capacity to serve Canadians. This commitment to sustainability led to the development of *The Code of Good Practice on Funding*[3], a joint policy initiative that provides a framework to support funding reforms that could be used by all three levels of government and other funders.

The policy work of the Voluntary Sector Initiative (VSI) and the Government of Canada lays the groundwork for building new partnerships between community non-profit organizations and government funders. A few provinces have begun to work with the principles enshrined in the *Accord* and the supporting *Codes*, particularly in Manitoba where they have moved ahead with implementation. For the most part however, community organizations in Canada (including Ontario and the City of Toronto) have not yet felt the impact of this policy development work or appreciated its importance in supporting funding reform. The work of the VSI has not yet sifted down to front line agencies or to local government funding offices.

[2] Charities and Democracy project identifies the UK, Netherlands, Germany, Poland, Japan, and Spain as all allowing charities more involvement in public policy. (Institute for Media, Policy and Civil Society, 2004)
[3] (Voluntary Sector Initiative, 2002)

1.2 Research on the Voluntary Sector

The second building block for funding reform is the research on the extent and severity of the problems facing voluntary sector agencies. A succession of studies has sounded the alarm of a crisis in the very organizations that all three levels of government rely on to deliver community-based services. Moreover, all Canadians have a vested interest in these organizations that toil quietly in their communities. Canadians rely on the staff and volunteers of these organizations to reach out to the most vulnerable among us.

Over the past decade there has been a profound shift in the way governments and most funding organizations give grants and contracts to non-profit community organizations. In recent years, there has been a steady stream of Canadian research indicating that our voluntary organizations are not thriving under the new funding regime. The most comprehensive study is *Funding Matters: The Impact of Canada's New Funding Regime on Non-Profit and Voluntary Organizations,*[4]. In this report Katherine Scott describes the trend to fund "programs" rather than funding "agencies to deliver programs" and the resulting instability and increased stress among agencies to find the funds to operate. The study warns that the future of a wide variety of community-based organizations is at risk. *Cracks in the Foundation, City of Toronto, 2003,* is the City's survey of community agencies, and confirms and builds on the findings of *Funding Matters*. This report, prepared for the Toronto Community and Neighbourhood Services Committee, describes agencies reporting high levels of program fluctuation, difficulty in training and supporting staff and volunteers, and high levels of staff turnover and burnout. In addition, the recent series of studies on human resources in the non-profit sector undertaken by the Canadian Policy Research Network[5], has identified a sizeable and growing salary gap between the non-profit sector, the for profit sector and the quasi-Government sector (hospitals and education) and warns of a looming human resource shortage in the non-profit sector.

We now have a much better understanding of the urgency and depth of the problems facing the community service sector.

1.3 In depth Financial Analysis

The third component needed to support funding reform was a reliable and consistent method to analyse financial data across programs, organizations and funders. With the development of the *Workbook for Financial Analysis,*[6] we now have a tool that provides the level of detail needed to move forward on funding reform both at the level of individual agencies and across the sector. Community organizations now have the ability to identify revenue and expenses across their various funding sources within a consistent and structured framework. This should make it easier for individual agencies to negotiate better funding agreements that reflect the actual costs of running a program and responding to community needs. On a more systemic basis, the aggregate data from agency workbooks will aid in the development of more effective funding policies and practices.

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[4] (Scott, 2003)
[5] (Saunders, 2004)
[6] (Eakin & Cowperthwaite, 2004)

In the course of developing the *Workbook,* we collected aggregate data from the agencies involved in the workbook development. This data provides the first detailed snapshot of the financial situation across community organizations and allows us to understand trends and differences in how agencies are coping with the challenges they face. This report describes the data findings on 155 programs in ten agencies, totalling 36.5 million dollars.

2. Project Sponsorship and Operating Principles

In 2000, the Community/City Working Group on Core Stable Funding came together out of a concern for the financial difficulties facing so many community organizations. This committee, comprised of City of Toronto staff and representatives from community agencies, undertook a number of activities to raise awareness of the needs of community agencies and their importance to the social fabric of the city.

One of their activities was to identify the need for this project and they requested the Community Social Planning Council of Toronto to undertake it on their behalf. The project received research funding from the United Way of Greater Toronto Social Research Grants. Consultant Lynn Eakin and her associates undertook the workbook development and funding analysis while Leslie Wright of Novita provided support for the ongoing community consultations which have informed the development of this report.

This project adopts and builds on the principles articulated in the *Accord* and the *Code of Good Funding.* In particular, the Community/City Working Group wanted the project to emphasize the dual role of community organizations as builders of strong and caring communities *and* as delivery agents for government-funded services in local communities. The Community/City Working Group views these roles as compatible, mutually enhancing but distinct activities. Funding policies and practices must be sensitive to these two roles and a funding analysis framework needed to reflect this perspective.

It was also important to the Working Group that a funding analysis framework be fair, consistent and transparent in its methodology and ensure that the principles of organizational capacity and sustainability are built into the analysis.

3. The Project

Community organizations have multiple sources of funding and many different funders, so no single funder has an overview of the overall agency funding. Moreover, the community organizations themselves have difficulty obtaining a consistent analysis of their costs and revenues as they received funds and are required to report expenses to their different funders in many different formats**.** This lack of financial overview information has left agencies and funders making decisions without all the necessary information and has frustrated discussions of what funding changes might be needed.

We set out to develop a template for funding analysis that would allow individual agencies to examine their own revenues and expenditures and provide our research with aggregate data to develop a profile of the financial operations of community organizations.

3.1 Development of the Tool for Financial Analysis

The first step was to develop an effective tool to collect consistent and comparable data. Working with both small and large agencies[7] we were able to develop a workbook that met their diverse needs and could fairly reflect their financial situations. *The Workbook* asked for financial data they already had on hand and allowed them to work with their own internal chart of accounts and staff categories. By asking agencies to report their revenues and then asking them to separately identify their expenditures and allocate those expenditures to service and administrative areas we were able to capture the full cost of the programs and compare them with revenues. This approach also allowed agencies to reconcile the workbook with their internal statements. The workbook presents financial information that they already have on hand in a different format.

3.2 Cross-Data Analysis

With the development of *The Workbook*, we have the ability to aggregate data. The use of common definitions and allocation formats means that data can be analysed within organizations, across programs or across funders. The 155 operating programs[8] in this pilot provide a snapshot of a wide variety of funders and an overview of current funding trends and practices while the small number of participating organizations has allowed for in depth investigation of data variances to ensure our analysis was sound.

In preparing this report we have shown the ten individual organizations' data separately in the graphs while the data provided in the description is aggregated across the organizations. Both sets of information inform the analysis. By looking at both sets of data we could identify where there were wide variations between organizations or if a common trend existed. We could also identify those instances where the size of agencies was relevant in understanding the impact of funding practices. The aggregate data across the programs and organizations is informative since it has been the lack of overview that has hindered funding impact analysis.

3.3 Protection of Confidential Information

The workbook data in this report is presented in the aggregate and the graphs that show the individual agencies are intended to illustrate trends rather than actual numbers. The analysis of individual agency data is confidential. Agencies may share with individual funders the results of

[7] See Appendix A for agency selection criteria.
[8] Half the organizations had more than ten programs (the range was 2-30). Each funding agreement or grant was reported as a separate program.

their own program's analysis, but the workbooks themselves are internal confidential documents as they contain sensitive and confidential salary data and information on other funders.

3.4 Capacity in the Sample Organizations

Some organizations have *lead funders*. These funders fund both program and organizational infrastructure for services that further government policy objectives in a given service area, and in order to sustain long-term community capacity. An example of lead funding is community mental health funding by the Ontario Ministry of Health. The other funding model that contributes to capacity is *undesignated grants* provided to support organizations. This *capacity funding* is characterized by the flexibility the organization has in using the funds where they are most needed to build their organization and programs. The United Way of Toronto member agency grants are a good example of this type of grant. Organizations with lead or capacity funding have greater organizational stability and capacity than organizations with only service contracts and project grants.

Of the agencies that completed or nearly completed the workbook[9], only one (a small agency) had no ongoing capacity grant or lead funder but they had obtained a one time capacity building grant to pursue a merger. Three agencies had a lead funder, seven agencies had a capacity funder, and three others had both a capacity and lead funder.

Even with a lead and/or capacity funder, all the financial and senior staff involved in our study worked significant unpaid time. Staff reported routinely working many hours on unpaid time and to complete this project they worked evenings and weekends. The participating organizations all reported no surplus organizational capacity and they had difficulty finding the time to undertake the financial analysis. Several organizations also lacked management systems in human resources and found they spent extra time digging for information, because they did not have the time or funding to put the systems they need in place.

Only the agencies that had the administrative capacity afforded by lead or capacity funding were able to attempt the funding analysis. Since we recruited some of the strongest agencies to participate in the workbook development our study group paints a rosier picture than exists for many community organizations especially those who do not have either lead or capacity funding. Newer and emerging groups may be even more disadvantaged.

> *The contribution of lead and capacity funding to agency functioning needs further exploration as it raises significant policy questions since certain sectors provide lead funding while other sectors provide none. Moreover, some communities in Ontario have access to capacity funding while others do not.*

[9] Seven agencies who initially volunteered for the project were unable to attempt the workbook. Reasons included staff turnover, staff illness, urgent program issues, and lack of capacity/time.

4 Findings

In this section on findings we have organized the data into several sections. In the first section we examine funding sources for community organizations; show how agencies are using their "other revenues" to cover the shortfall in program funding; and identify program instability as an additional capacity drain. The second section provides detail on the nature and extent of funding shortfalls by program funders. Data on employee benefits, front-line supervision and funding for organizational core activities is explored and the extent of the under-funding is identified. The last section is an analysis of key expenditures showing the low level of staffing costs compared to total expenditures.

4.1 Disentangling the Funding

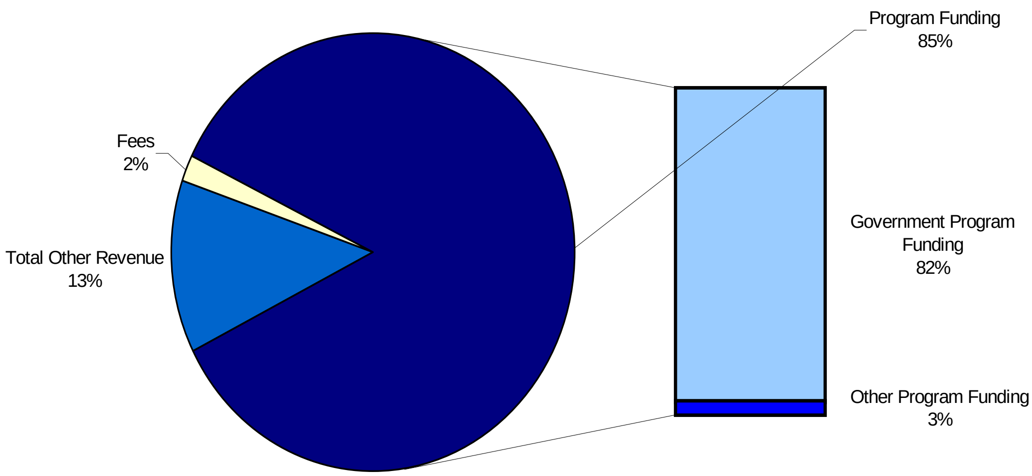
In this section we look at the overview of organization funding. This report uses the terms *program funding*, *other revenue sources* and *fees*.

- *Program funding* - funding that is provided in exchange for the agency delivering a specified service. Typically service contracts between the funder and the agency set out the terms and conditions of funding and services provided. Lead funders are in this category of funding as are program and project funders.

- *Other revenue* - funds received from fundraising, donations, investment income, rebates, business revenue and undesignated grants. Fundraising and donations and undesignated grants were the most significant sources of other revenue. Capacity funders, since they provide undesignated grants, are in this category of flexible funding sources.

- *Fees* – charges for services that offset part of the cost of program operation. No participating agency operated a program only on fee revenues.

Chart 1 - Total Revenue
(average of ten agencies)



4.1.1 Overview of Funding sources

Chart 1 Total Revenue
An overview of funding sources. Most of the funding that sustains agencies is program funding. Over the ten agencies, 85% of the total revenues is program funding, 13% is other revenues and 2% fees.

Of the 155 funded programs that comprise 85% of agency revenues, 82% were programs funded by one of the three levels of government. Each government's contribution to total revenues through program funding is: Federal government 34%, Provincial government 36%, City of Toronto 12%. 3% of program revenue was from other non-government sources.

Fees in our sample account for 2% of revenue and the remaining 13% of revenue comes from a variety of sources including fundraising, and grant funding from united way organizations[10], and other miscellaneous revenues.

Government funding as a percentage of total revenues appears to be less (down 7%) than in the 1990s when Reed and Howe, found 89% of agency funding was from government. [11] The decline

[10] United way organizations such as United Jewish Appeal, Catholic Charities, and United Way of Toronto

in government funding may be the result of the different sample in our study, the result of government funding cutbacks and flat-lining in the intervening period, the result of agency efforts to diversify funding sources or a combination of all three. In 2004, after a decade of efforts to decrease reliance on government funding, community service organizations still remain highly reliant on government revenues.

4.1.2 Details of *Other Revenues*

Of the 13% "other revenues", capacity funders such as united way organizations contributed 6%, fundraising and donations make up another 5%, while less than 1% was other grant revenue and 1% was miscellaneous.

Among the agencies participating in this research there are differences in the amount of fundraised revenues that each agency is able to raise. Detailed analysis shows that, the older agencies and those that were larger had more capacity than smaller agencies, newer agencies and those agencies in developing communities.

Agencies cautioned that *fundraised revenues are the most precarious and variable of all revenue sources* and that the amount raised varied significantly from year to year. The agencies reported that fundraised revenues take significant energy, time and other resources to acquire. Katherine Scott (Funding Matters, 2003) describes in some detail the struggle of agencies to raise funds. She describes the increase in competition, the escalating cost of raising funds both in people and financial resources, donor fatigue and the growing divide between the organizations with the resources to hire professional fundraising staff and the smaller organizations (this would include most community organizations) that rely on sporadic volunteer efforts to raise funds.

In our study, the bigger agencies did not consistently raise proportionately larger amounts of non-government funding. The agency with the greatest diversification of funding has 68% of their revenues in program funding, and 32% from capacity funding, fundraising and grants and fees. At the other end of the spectrum, one agency with a lead funder had their program costs fully covered, they were just beginning the process of finding alternative sources of revenue. The remainder of the organization fell somewhere in between averaging 13% other revenues raised. Overall the organizations raised 5% of budget from fundraising activities. Four agencies raised $300,000 - $600,000 in fundraised revenues. That is a great deal of money for a mid to large community-based agency to raise year after year.

Some agencies have developed alternative revenue sources. One received revenue from running a thrift shop. Another combined fundraising with community building events - meeting a dual purpose, even if it did not yield significant revenues. Another had recruited a corporation as a significant funder for their small operation.

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[11] (Reed & Howe, 2000)

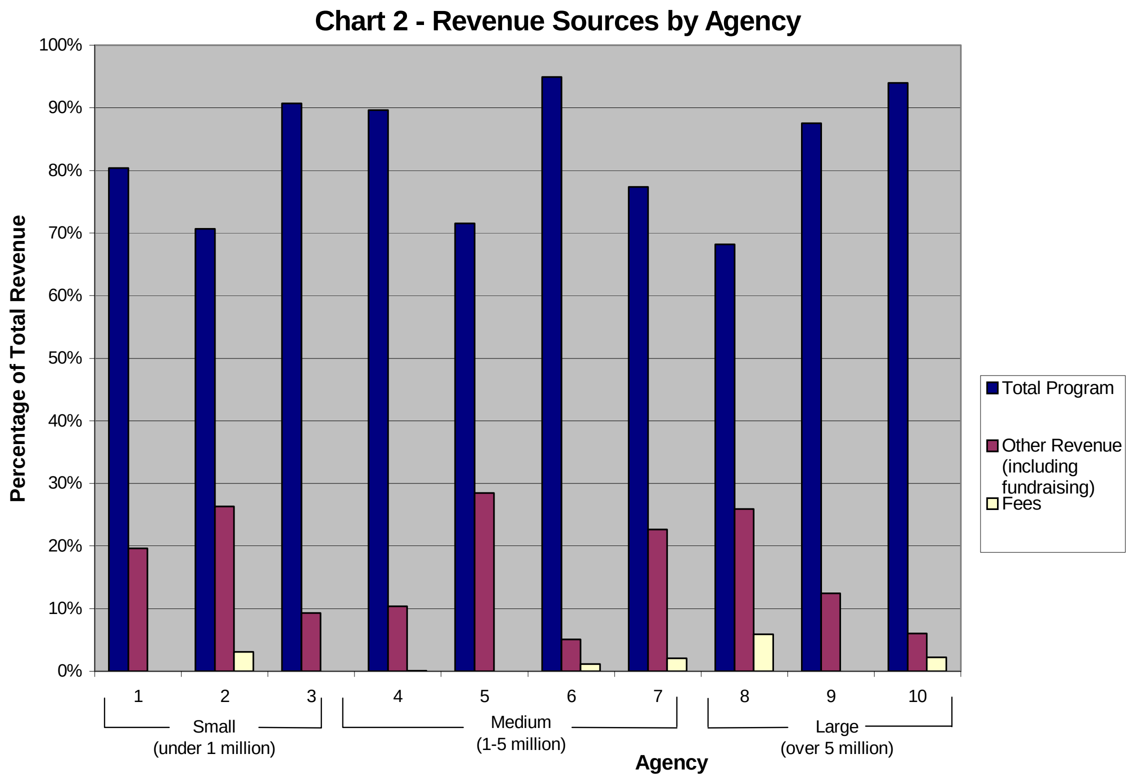

Chart 2 Revenue Sources By Agency
Tracking the other revenues column across the agencies one can see how size is not the crucial variable when it comes to raising a percentage of budget from other sources. The larger agencies typically raise smaller proportions of their budget due to the inelasticity and limits of community based fundraising.

All of the agencies had undertaken extraordinary efforts to diversify funding relative to their capacity, community and connections but not all agencies and communities have equal capacity to tap alternative revenue sources.

Moreover, there appears to be a finite limit on the capacity of community agencies to raise charitable funds. These limits have important implications for community capacity building and funding reform.

4.1.3 Program Funding

Since 82% of the 85% program funding is from one of the three levels of government, the program funding referred to in this report is primarily a report on government funding practices. Program funding is such a large component of all the organizations revenues that it is important to understand its impact on agency operations. Ranging from a high of 95% to a low of 68% program funding accounts for an average of 85 % of revenues for the ten agencies in the sample.

Program funding could be small like the $20,000 to provide a part time outreach worker to work with the homeless to a multi-million dollar agreement to provide job training services.

The workbook compared revenue received for a program with the actual costs of program operation.[12]

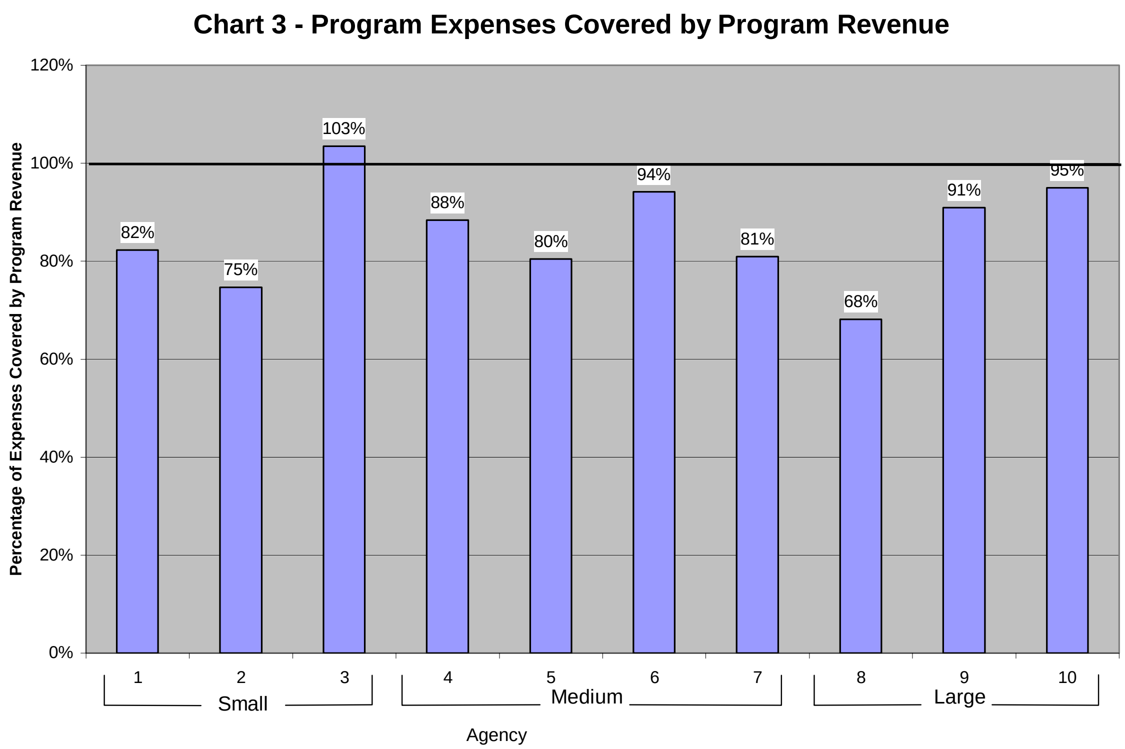

Chart 3 Program Expenses Covered by Program Revenues

Program revenues do not cover program expenses by significant amounts. Overall, the shortfall in program revenues was 14%. Program funding is not covering operating costs. Both Government and other funded programs are routinely and consistently funded below actual costs.

When program revenues were matched against expenses, with one exception, expenses exceeded revenues by significant amounts. Only one agency with a lead funder had the full cost of

[12] See Appendix 1 for descriptions of workbook methodology and definitions or the separate *Technical Report on the Workbook for Financial Analysis* for greater detail.

program delivery covered. All other agencies in the pilot showed a net under-funding of actual program costs. The amount of costs funded for programs ranged from a low of 68% to a high of 95%. This leaves a revenue gap that must be covered by the agency through fees, fundraising and capacity building revenues.

Funding to community organizations for program delivery is not covering the actual costs of program delivery. This has significant policy and operational implications particularly with regard to program quality, deficit management, and liability exposure for both the agencies and their government funders.

4.1.4 Other Revenues Offset Program Funding Shortfalls

Program funding is, by definition, funding the agency receives to deliver a service. That service is specified, often in great detail, by the funder. The agency seldom has discretion over the content or structure of these programs or in determining who is eligible to receive the service. By applying all their discretionary revenues to cover shortfalls in programs under contract to a funder, agencies have little or no capacity to respond to local community needs or develop innovative and new service models. The few agencies that had some discretionary revenues had reinvested the funds in local service gaps they identified (in one case a youth program and, in another, specialized English language training).

In the next chart it becomes clear that the agencies are fundraising to stay afloat. Since agencies are responsible for program deficits, (surpluses are recovered by the funder but deficits belong to the community organization) they are having to apply the greater part of, if not all of, their *other revenues* to cover the shortfall in program funding.

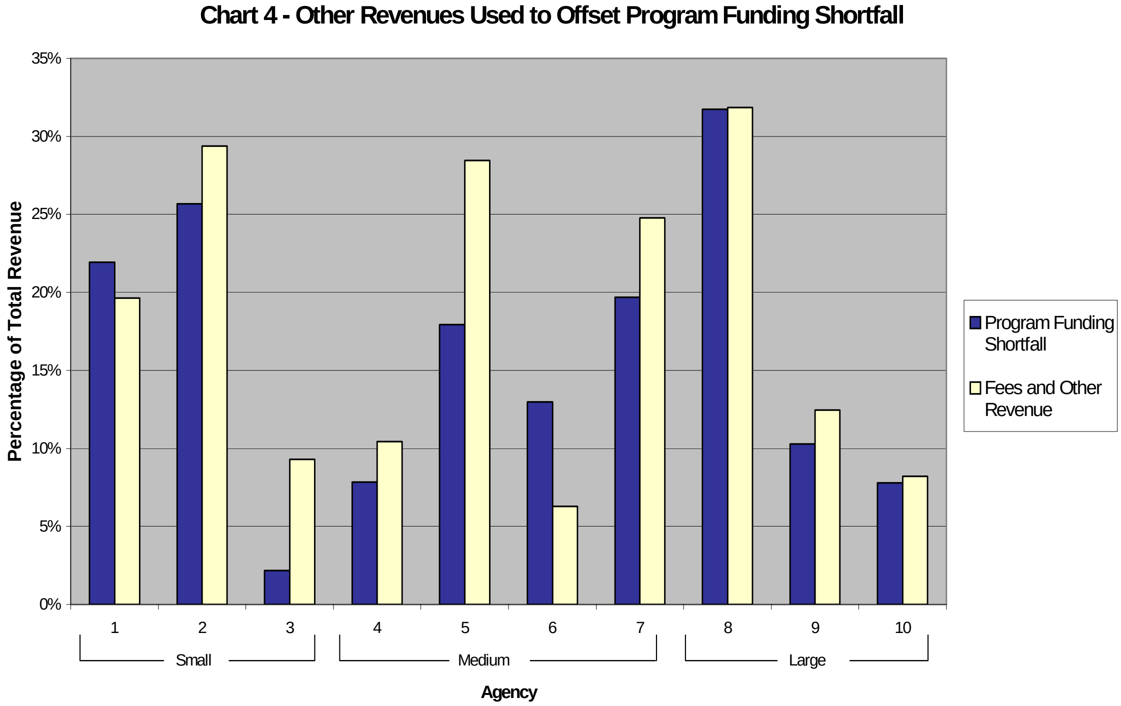

Chart 4 Other Revenues Used to Offset Program Funding Shortfall
Demonstrates how agencies are using most, if not all, of their "other revenues" to cover the shortfall in program funding. The under funded programs are almost exclusively programs that the various levels of government want delivered in communities. By under funding these programs they are draining local community resources away from other local community initiatives.

Added together, the data shows a program funding shortfall of $5,557,040 or 14 % of program expenses. In chart 4, however, it is evident that this shortfall is not spread evenly among the organizations. This is because some funders under fund more than others and because some agencies are better placed to negotiate funding agreements. *It is significant however, that none of the agencies were able to cover 100% of costs with program revenues.* After covering their organization's program funding shortfall, two agencies of the ten are in a deficit position while the other seven show a modest surplus or breakeven budget. The two agencies in deficit reported they will either find additional *other revenues* or cut staff and/or program to balance the budget since the agencies are responsible for the deficit.

The total *other revenues* across the ten agencies is $6,087,193. These *other revenues* are meant to enhance an organization's capacity and programs but the systemic under-funding of government and other programs takes 92% of these funds leaving only 8% of the alternatively raised funds to improve organizational capacity and meet local community needs.

The pervasive under-funding of government funded service programs, seriously impedes the ability of community organizations to be responsive to the unique needs in their communities by forcing the agencies to use their locally raised funds to cover program deficits.

Government funded service programs are draining local communities of the funds they need to build strong and vibrant communities. Moreover, agencies are concerned that charitable donors believe they are providing "value added" funding to community agencies to extend and enhance government funding, not to subsidize it.

4.1.5 The Impact of Revenue Instability

Both *Funding Matters* and *Cracks in the Foundation* studies identify "volatile funding for programs" as a serious problem for agencies. *Cracks in the Foundation* reported that organizations identified 65% of programs ending or at risk of ending.[13]

In this study we asked organizations to indicate whether the program was stable (defined as a reasonable expectation of continued funding year on year) or unstable (defined as funding that is time limited and or uncertain from year to year). We then looked at two measures - the number of programs that were unstable and the percentage of budget the unstable programs represented. Chart 5 shows both the number of programs and the amount of revenues tied up in unstable funding.

[13] (City of Toronto, 2004, p. 17)

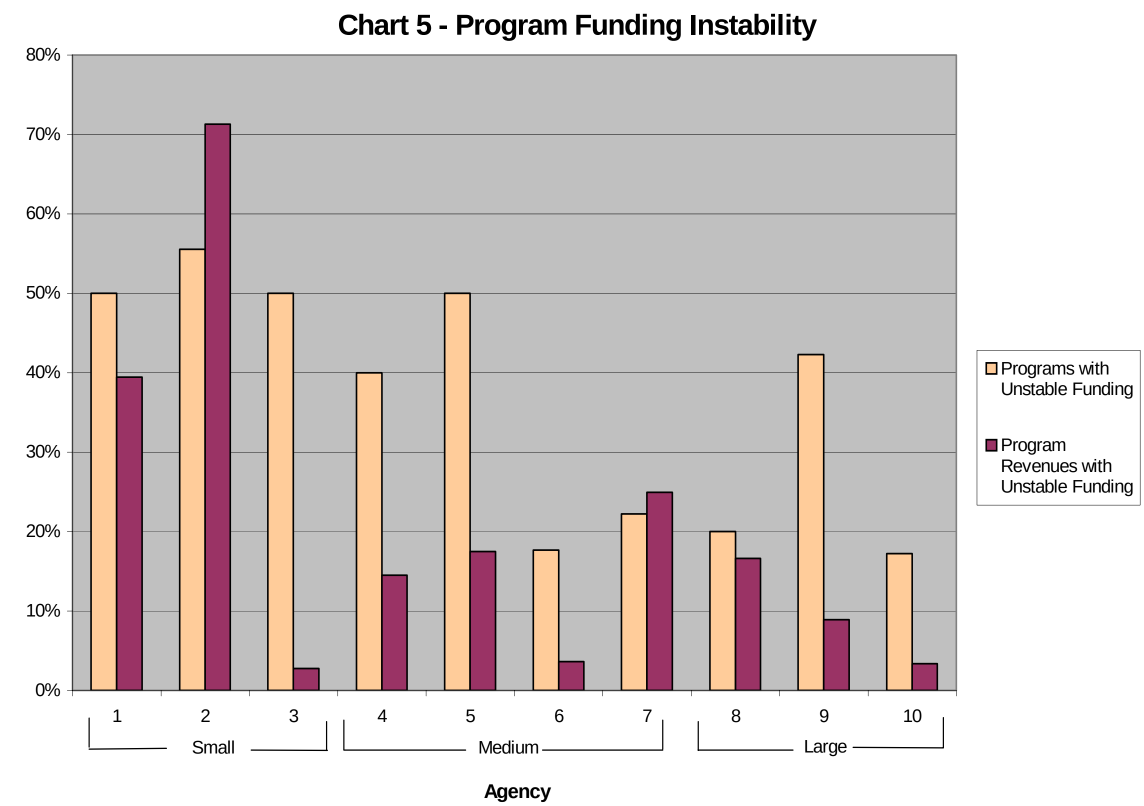

Chart 5 Program Funding Instability
Shows both programs classified as unstable as a percentage of total programs, and the program revenues these unstable programs represent as a percentage of total program revenues. While smaller agencies are more vulnerable, all organizations had a significant portion of their budget and an even greater percentage of their total programs operating on short term funding or with funding that is uncertain from year to year.

The smaller agencies, since they have smaller numbers of programs, may more easily have a higher percentage of unstable programs. When you have a total budget of $250,000-$500,000 it does not take many unstable grants to have a huge impact on organizational stability. The graph demonstrates that the financial impact on organizations is significant. The most vulnerable had more than 70% of funding unstable. Even the larger agencies have 17-25% of their budget vulnerable, which has significant impact on organizational stability.

It is often the smaller grants that are time limited or unstable from year to year, so the number of programs affected is large. Eight of the ten agencies had 20% or more of their programs in the unstable category. Six had more than 15% of revenues in unstable grants. Across the ten agencies $3,630,290 of funding is identified as unstable, involving 49 programs (32% of programs). Since the needs that community organizations are attempting to meet are constant or growing, trying to mount programs with short term and unstable funding is very stressful for organizations.

Agencies report that even if funding is renewed, the threat of instability affects how they invest in and manage programs. Much energy is spent obtaining the grants and starting-up the programs only to wind them down a short time later. In addition these grants are costing the organizations considerably more to run than they are receiving in funding.

Funding instability is a serious issue for community organizations. Funders should consider whether their granting practices are as effective as they might be when so many grants are short term and/or unstable.

5. Pinpointing Key Trouble Spots

One of the advantages of the workbook format was that it allowed us to examine the data at various levels of detail. With 84% of agency revenues tied to program delivery contracts we looked at the details of program funding to see if there were trends we could identify.

Since program funding is such a large part of agency budgets, an under-funding in this area has far reaching financial consequences. Program funders may be under-funding operating costs such as rent and equipment but we were not able to pick that up as consistently from the data. The three key areas of consistent and significant under-funding identified are *employee benefits, supervision of front line staff* and financial support for *core operating costs*. These three areas account for much of the under-funding of programs and are analysed in more detail in this section of the report.

5.1 Employee Benefits

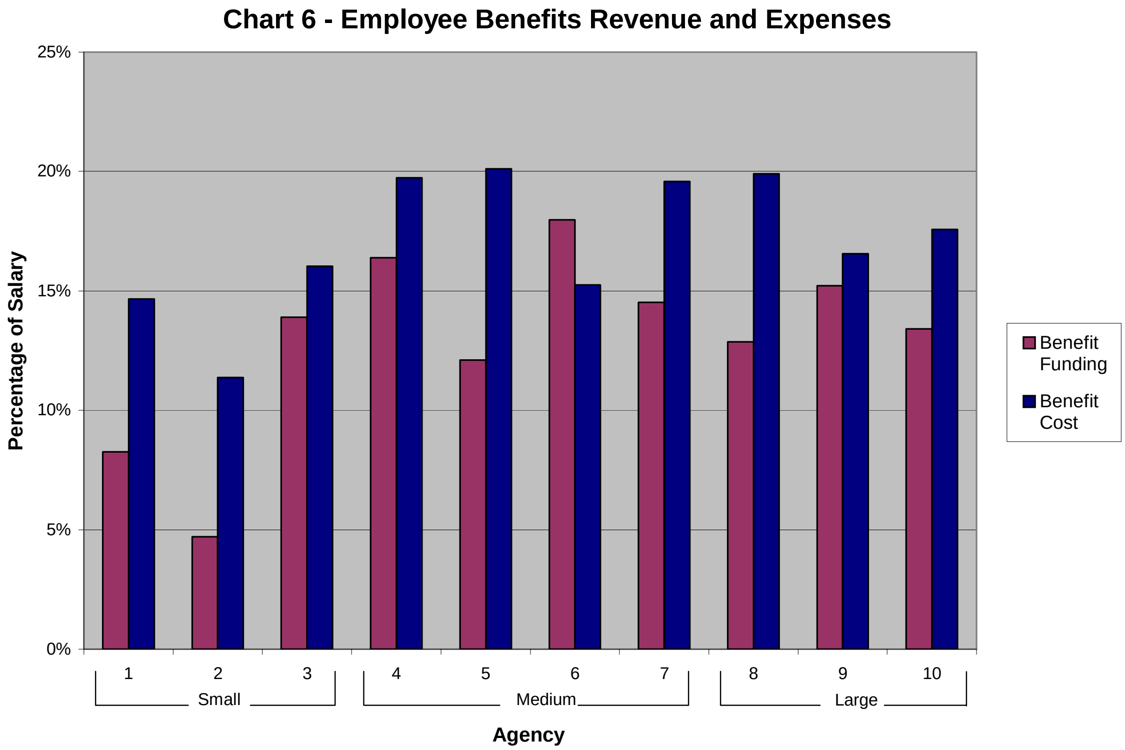

Chart 6 Employee Benefits Revenue and Expenses
The cost of employee benefits, in nine of the ten agencies, is significantly greater than the revenue received to cover employee benefits. Across the sample, benefits were under-funded an average of 22% of benefits (4% of salary costs). The greatest under-funding was 59% short and the least was 8%.

As can be seen on this chart the benefit packages in the sector tend to be modest with the best of them topping 20% of salary,[14] but even so, only one agency received enough funding to cover its costs (Agency 6). All the other agencies had to find other revenues to pay for the benefits provided to program staff.

Looking at the percentage of benefit costs approved by funders is perplexing. Some funders pay the same agency different amounts of benefits costs in different programs. Across agencies there are significant differences in the amount of benefits different agencies were able to negotiate from the same funders. In one example, an agency received less than the cost of statutory deductions for their staff.

[14] The individual staff benefit is 20- 23% of salary but the agency average is 18 %. Since funders do not pay their share, the incremental cost of bring on a new employee is the individual staff cost. This is why a few funders are paying up to 23% in benefits.

There does not seem to be a willingness among funders to recognize and fund the real costs of employee benefits. Moreover it is not clear how an agency could ever upgrade their benefit funding. Benefit funding is a key policy question across all funders.

5.2 Front-line Supervision

The Workbook included supervision of program staff as a direct program cost since direct supervision of program staff is a basic minimum for program delivery. It is not possible to mount a program without providing supervisory staff to hire, orient, train and oversee program staff activity. The data on the funding of supervision raises troubling questions.

Funders, especially of small grants, seem to expect the agency to provide supervision gratis. Of those funders that did pay for supervision, the amount contributed varied enormously among funders and even within funded programs. There appears to be no established norms for funding the costs of supervision. The pattern, if there is one, appears to be to underpay or not pay for supervision and make occasional staffing corrections by funding a supervisory position. On average the agencies received 5% of program funding for supervision but there were tremendous variances among agencies. As can be seen on the next graph, seven of the ten agencies received less than 10% of program costs for supervision, some considerable less. In the few organizations where lead funding was in place and supervision was funded as a part of the full program, 10-14% of program costs were allocated to front-line supervision.

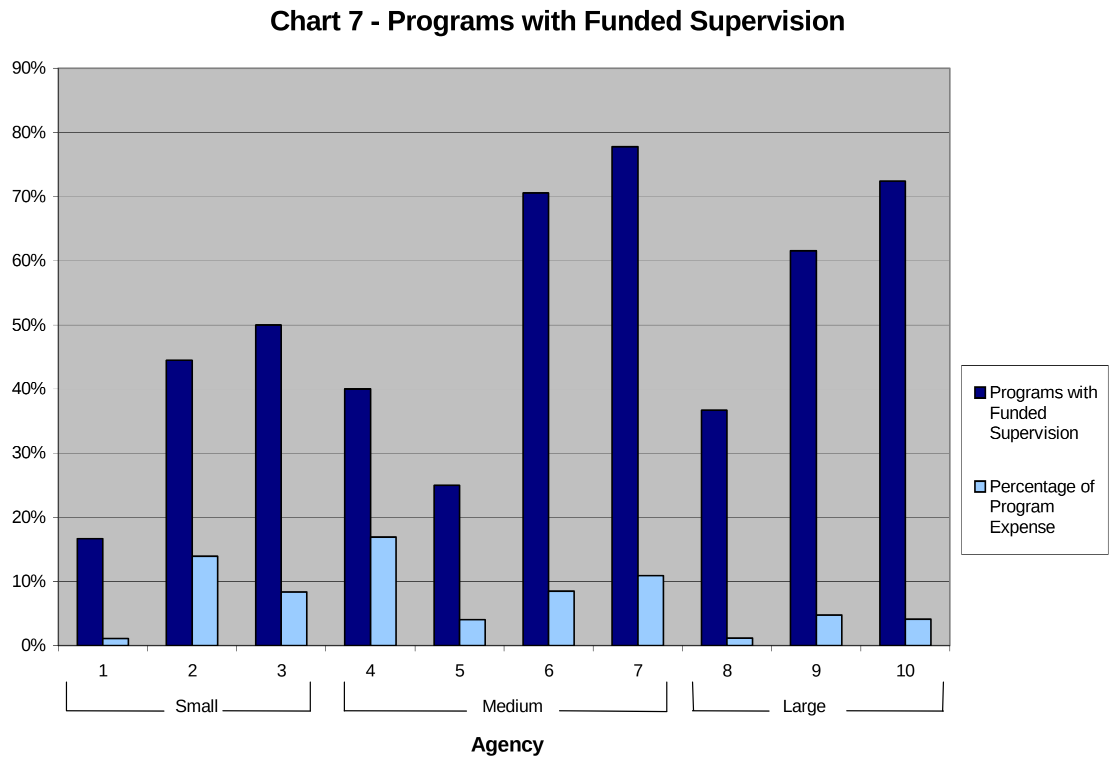

Chart 7 Programs with Funded Supervision
Shows the percentage of agency programs that had funded supervision in each organization and the percentage of program cost that supervision costs represented. Just over half or 53% of programs funded actually paid for supervision and overall supervision was funded at 5% of program costs.

At a funded rate of 5%, the supervisor/employee ratio would be approximately 1:25 supervisor to full time employees. Given that community programs tend to be locally based and small with high numbers of part time employees and volunteers this supervision ratio appears inadequate for many community programs.

In the City of Toronto *Cracks in the Foundation Survey*, 34% of agencies reported they could provide supervision only sometimes or not at all to staff and 53% did not have capacity to supervise volunteers.

The lack of capacity of community agencies to adequately supervise front-line staff is a problem that should concern both agency Boards of Directors and funders alike, particularly following recent court decisions on residential schools that found religious institutions and government liable for staff actions that resulted in harm to students.

In the international arena unacceptable risk exposure has encouraged funders to support organizational infrastructure. Research in Britain identified that if organizational infrastructure funding is too low both the organization and funder incur unacceptable levels of risk. CIDA and

The Nature Conservancy also identified organizational capacity as essential for program quality.[15]

> *Work needs to be undertaken to establish a consistent method of funding supervision. The current pattern places tremendous strain on organizations and may be placing programs, staff and clients at risk.*
>
> *The under funding of supervision raises important policy issues of risk management and program quality for both agencies and funders especially in light of recent court decisions on vicarious liability.*

5.3 Organizational Supports and Services (Core)

In this section, we analyse the elements of organizational supports and services (also referred to as *core costs*) in the agencies. Organizational supports and services include all operating costs that are not direct service except fundraising costs, fines and penalties. The Workbook groups core functions into four categories, *human resource functions, financial management and reporting functions, management and governance functions* and *operational supports* including information technology, reception record management and property management.[16]

There are two types of core organizational expenses: *program specific core expenses* and *common shared core expenses*.

- *A program specific core expense is a core expense used exclusively in the operation of the program*. An example of a program specific core expense is a receptionist/clerk at a specific program site with duties specific to the program. However, if a senior manager was providing direct supervision to front line staff, or even in some cases providing direct services, that too would qualify as a program specific core expense. While still identified by funders as a core expense, a program specific core expense is not available for the betterment of the organization as a whole and does not contribute to organizational capacity.

- *A common shared core expense is a core organizational expense that benefits all agency programs*. Examples of common share core expenses are the costs associated with Board governance, reception, community networking, and senior management. Common shared core expenses are shared across all revenue sources including fees and other revenues.

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[15](Eakin, 2002)
[16] For detail see Appendix A

The following chart shows the breakdown and percentages of the various components of core costs and revenues.

Chart 8 Breakdown of Core Costs into Major Categories

Total Core Costs **Includes program specific and common shared core expenses**	**$9,179,449**	**Core costs as a percentage of total expenses**	**19%**
Program Specific Core Core activity exclusively for program operation	$2,918,708	Program Specific Costs as a percentage of total core costs	6%
Program Share of Common Core Program funders proportionate share of common shared functions	$4,740,193	Program share of common core costs as a percentage of total core costs	10%
Other Revenue Share of Common Core Proportionate shared of common shared functions allocated to other revenues.	$1,520,548	Other revenue share of common core costs as a percentage of total core costs	3%

Organizational supports and services (core costs) average 19% of total expenses. Of these expenses *almost one third are program specific costs*. The program specific expenses account for 6% and common core expenses for approximately 13% of the 19% of total expenses allocated to core activity.[17]

A significant portion of senior staff time is spent providing program specific activities particularly program supervision and specialized services to direct service programs. This helps explain why the agencies are experiencing difficulty accomplishing organizational tasks. Almost one third of core staffing is diverted into program activities.

As supervision and other program costs have been under funded, senior managers have had to backfill by spending more time in program activities. In some of the smaller agencies this time is very significant, leaving very little time for maintaining organizational capacity.

Program support has an urgency that commands immediate responses. Organizational tasks, because they are less immediate, tend to be done on unpaid time on weekends and evenings.

[17] Ideally common core expenses would be accounted for separately from program core expenses but common and program core contributions could not be separated out in the revenues.

Another way to examine core costs is to look at the breakdown between core expenses and core staffing. Core expenses are often beyond the agencies control. Audits, insurance, equipment leases, rent and materials are subject to the market place and are, in large part, non-discretionary. As the cost of core expenses has risen, (they now comprise 6% of the 13% common core expenditures) the funds available for core staffing have decreased. Agencies have streamlined their core staffing to the point of inefficiency. Senior managers report they cannot delegate even the most routine tasks because there is no one available. Core staffing is only on average 7% of budget expenses. Core staff diversion to programs and escalating administrative expenses have left little for organizational capacity building and agency operation.

The basic fixed core expenses of agency operation are significant and not very elastic, which is why they are proportionally greater in the smaller organizations. Over the ten agencies core expenses average 6% of total agency expenses, with a low of just under 2% to a high of 12%.

In addition, the smaller agencies suffer the most from core diversion. In the large agencies, funders do not expect the Executive Director to provide direct program supervision while in smaller agencies this is often expected.

While small agencies may look like they have higher organizational costs it is important to understand how much of their time is actually spent on organizational versus program activities before drawing conclusions.

5.4 Reconciling Core Revenues and Expenditures

All revenue sources are allocated their fair share of common core expenses because every program benefits from the organizational capacity of the agency. For this reason all revenue sources were allocated a share of core expenses. This means fundraised, undesignated and other sources of revenue also paid a share of common core expenses. *Programs are not expected to cover all common organizational costs, only their proportionate share.*

Chart 10 Core Expenses and Revenues

	Expenses	Revenues	Funding Shortfall	Percentage Funding Shortfall
Program Share of Core (common and program specific core)	$7,658,901	$3,196,067	$4,462,834	58% of program share

Over the ten agencies, core expenses were under-funded a total of $4,462,834 or 9.5 % of all program expenses. This represents an under-funding of 58% of programs' fair share of core expenses. As a result, across the ten agencies 48% of agency core operational costs are unfunded.

Obviously there is great variation in what individual funders are paying. Lead funders and capacity funders often pay more than their share of organizational capacity costs while program and project funders typically make much smaller contributions to organizational capacity.

Chart 11 - Program Share of Core Funding

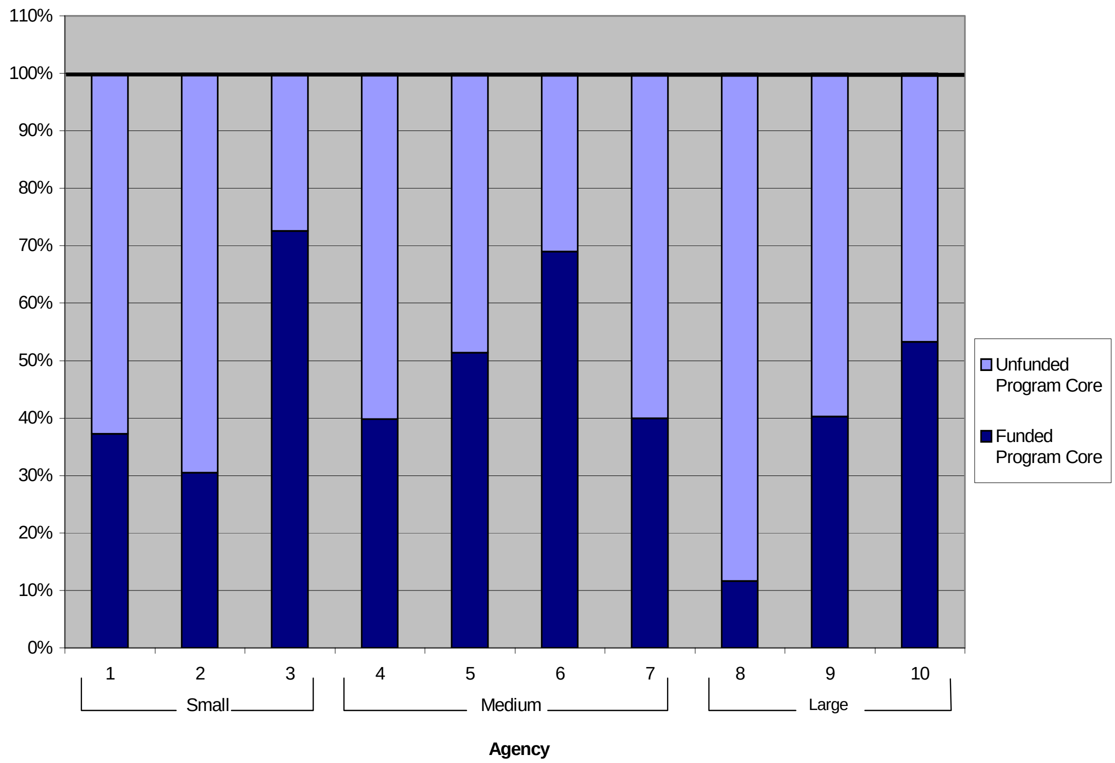

Chart 11
This graph provides the breakdown by agency of how much of the program funders "share" of organizational core expenses is funded. Not a single agency had its core costs fully funded.

Funders are paying 42% of their share of organizational capacity costs and since approximately one third of core costs are used directly in programs there is little left over to help pay for common organizational costs.

Government and other program funders are not paying enough for common shared organizational expense as a result 48% of agency core organizational costs are unfunded.

Agencies have cut back on core staffing and are using "other revenues" (primarily fundraised and united way revenues) to cover the portion of common core expenses left unfunded by the program funders.

This is a problem that should concern government funders, agencies and other funding bodies who are, by default, picking up the program funders share of common operations.

5.5 Tracking Expenditures

In this section we examined key agency expenditure for patterns and trends.

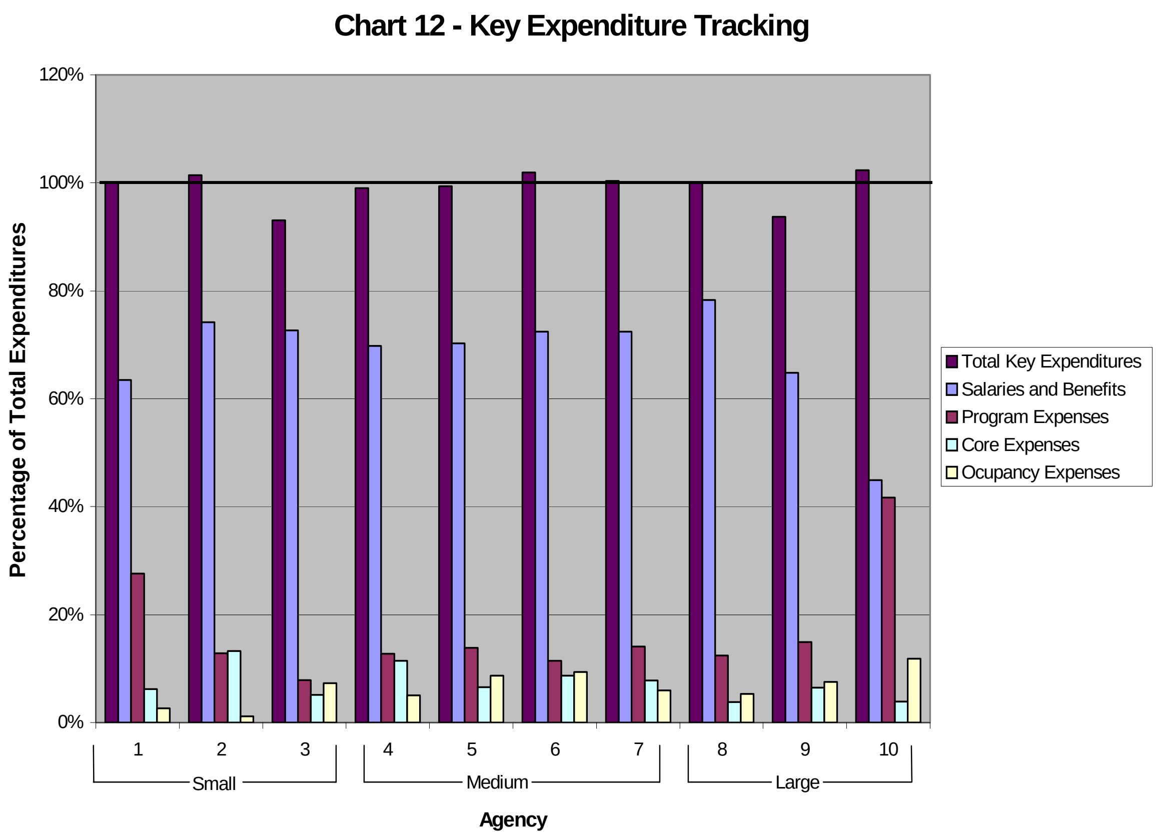

Chart 12 Key Expenditure Tracking

Shows the key expenditure categories that make up agency expenses. It is significant that salaries are so low - below 80% in all agencies and averaging 71% .

In comparison, 1998 budget records in the City of Toronto show salaries and benefits for Police Services at 89.5%, Fire Services at 94%, Public Health at 83%, and Social Development and Administration at 89.5%. Typically salaries are 85-90% of budget in human service organizations.

Even excluding one agency that had unusually large flow through expenditures resulting in salaries and benefits in the 44% range (Agency 10), the overall average for salaries and benefits is only 71% over the nine remaining agencies. Not a single agency had salaries equalling 80% of expenditures much less the 85-90% average noted above.

A study of neighbourhood organizations in Toronto *Shaken Foundations: The weakening of community building infrastructure in Toronto* identified the multi-year flat lining of funding to the community service sector[18] as a major concern. This flat lining followed a period between 1990-1995 when the sector experienced major program cuts[19], so it has been over a decade since the sector had anything resembling inflationary or cost of living increases that sectors such as health, education and government routinely receive.

Sector wages have lagged behind to the point where wages are far below those in the private sector and even further behind the hospital and education sectors. As a result, staff retention and recruitment are now a serious concern. [20]

Salaries and expenditures on staffing have been seriously eroded. Agencies have little or no control over rising costs – operating expenses, program costs, rent or staff benefits. The only variable an agency can control is salary costs and the number of staff.

Our trend data indicates reduced staffing expenditures for both program and core functions. The trend is alarming and yet another indicator of the need for risk management and quality standards for agencies and funders.

6. Funding Best Practice

One of the objectives of this report was to identify those funding practices that are most helpful for organizations in allowing them to maintain organizational capacity and deliver quality and safe services. While there are many funding practices, we have limited our comments to those practices we identified in the course of developing the workbook and analysing the data.

6.1 Changing the approach to the "business" of service delivery

1. Best Practice - Full cost program funding

Funders, when contracting with a community organization to deliver a service, pay the full costs of service provision including a proportionate share of organizational operating costs and the actual operating costs of service delivery. In an optimal situation, the funder would pay a community investment premium (equal to the business profit margin) to help build local capacity.

In business there are two distinct approaches to sub-contracting. On the one hand, a business seeks to purchase a product at the least cost and does not concern itself with whether the sub-contactor is around for the long term. Price is the focus. The other approach is to pay a fair price for the product because the purchaser wants the sub-contactor to be around for the longer term. This latter approach is employed when the sub-contactor has knowledge and expertise that are hard to replicate and has long-term value to the purchaser.

[18] (Howarth, 2003)
[19] (Community Social Planning Council, 1997)
[20] (Saunders, 2004)

In the Community Service sector too many funders have employed the first approach when they contract community organizations to deliver services. This is why there has been so much discussion recently about the lack of sustainability in community organizations. The cheapest price approach does not work towards our society's long-term goals. As the data from this study shows, social service programs are currently acting as a drain on community capacity by taking from communities funding that should otherwise be deployed in addressing local priorities and community outreach.

The recent policy documents developed between the Voluntary Sector and the Government of Canada,[21] affirm that Canada values strong communities and the important role community based non-profit organizations play in the fabric of communities. Non-profit organizations are partners with governments in building and maintaining strong communities.

If this philosophy is to be put into practice, government funders when contracting for service provision with non-profit community agencies need to cover the full cost of service provision.

If every funder took responsibility for paying their fair share, and covering their own program costs and their share of common costs, we would have a sustainable model for Canada's community organizations.

2. *Best Practice - global budgeting*

Funders move to global budgeting (approving a total budget amount and letting the service provider determine how best to spend the funds to achieve agreed service outcomes.)

The agency is in the best position to determine how it needs to spend its budget to achieve service outcomes. Line by line funding and micro-management of funding has unduly complicated agency operations. It is not helpful to agencies for funders to select specific items they will cover and the items they will not (e.g. a funder agrees to pay for audit but not information technology support). Such decisions are divorced from the realities of actually delivering services and do not help the agency operate the program. Line-by-line control and budget micro-management by funders results in the funder substituting their judgement for that of the agency. These practices increase the deficits of agencies and impede effective agency risk management strategies. They also have the potential to distort agency operations as agencies work around the restrictions to achieve their goals. Funders need to focus on accountability measures, such as service outcomes and deliverables not day-to-day management.

[21] (Voluntary Sector Initiative, 2002)

3. ***Best Practice – Strategic use of Lead Funding***
   Governments should use a lead funding model (funding both program and organizational infrastructure) for services that further government policy objectives in a given service area, and in order to sustain long-term community capacity.

The Ministry of Health in Ontario has successfully used lead funding to build a system of community based mental health services and community health centres in local communities. Other funders of priority service, such as immigrant settlement services, should consider using the lead funding model to ensure the appropriate infrastructure is in place in communities to deliver their services.

If there are strong local community organizations in place then a full cost service purchase funding model may be the most suitable however, there are situations where a more substantial commitment to building local capacity is required. These decisions are strategic choices. In recent times, with few exceptions, lead funding has not been a funding model that was available. Lead funding needs to be a part of the spectrum of funding models.

4. ***Best Practice – Funders provide more undesignated funding to support organizational capacity and service innovation.***
   Funders provide undesignated funding (funding the agencies can spend with flexibility in priority areas) to agencies as a preferred means to build local capacity, encourage service innovation and meet local needs.

Allowing agencies to determine the use of funding is the most effective way of ensuring they can get their work done. Agencies identify capacity funding grants, such as those provide by united way funders, as very effective funding because it allows the organization to spend the funds where it needs them. Smaller grants that seek to enhance or extend services should also be undesignated so the agency can use them to maximize the impact of services. Small grants with defined budgets cost the organizations significant amounts of their own funding as the budgets rarely cover the cost of supervision, management and reporting.

5. ***Best Practice -- Fundraised funds and donations from united way funders and foundations are used for service innovation, strengthening communities and addressing local needs.***

Expecting community agencies to make a “contribution” to a government-funded program is unrealistic. Funders, especially government funders, need to pay the full cost of services they need delivered in communities. They should not drain community resources to deliver their service. As funders assume their program funding responsibilities resources from fundraising, united way funders and foundations would be freed up to fund service innovation and addressing local needs.

Over the years confusion has developed about the use and purpose of community-raised funds and the role of community organizations as providers of social services.

Community Organizations have two functions:

- *To build strong, caring and compassionate communities*
- *To deliver government funded services in local communities*

These functions are compatible, mutually enhancing but distinct activities. Locally raised funds should be deployed toward building strong resilient communities while government funds fully support social service delivery.

6.2 Summary of Best Practices

Best Practices	Poor Practice
• Funder pays full cost of program delivery. • Global budgeting - agency manages within fixed total budget. • Funder supports core organizational capacity on a contribution basis, not line-by-line funding. • Funder recognizes core functions including human resources, finance, executive management and agency operations are integral and essential to service delivery and funds their proportionate share. • Supports and funds service quality - staff retention and training • Program funding is pegged to economic indicators to keep pace with inflation. • Funder has capacity to respond to both routine and extraordinary requests from agencies. • Funder policies permit and assist agencies to accumulate contingency funds. • Funder regards agencies as partners in a long-term investment in community building. • Funders strategically use the range of funding models to build strong communities and deliver quality service.	• Funder expects a "contribution" which results in under funding non-profit service providers to deliver programs. • Line-by-line funding and expense monitoring. • Line-by-line funding of isolated and selected core functions. • Funds a fixed percentage of core expenses well below actual cost. Does not acknowledge importance of core organizational functions such as human resources or governance. • Funding practice encourages or forces agency to use casual and temporary staff. • Program funding is flat lined with no increase year after year. • Funder has little or no capacity to respond to routine or extraordinary circumstances. • Agencies have to absorb all cost overruns but cannot keep any cost savings or surpluses. • Funders regard agency as a low cost method of delivering services with useful connections with target population. • Funders adopt one approach to funding without establishing strategic goals that can be achieved by the chosen funding model.

7. Making Change – Moving Forward

All the necessary pieces are in place to support a process of funding renewal - a policy framework for funding non-profit organizations, the research on the human resource and organizational issues facing community agencies and now, with this study, the framework and tools to identify and quantify funding requirements in multiply funded community organizations. We finally have data demonstrating the significant shortfalls in program funding, the key areas of under-funding and have evidence of the serious and unsustainable pressure this is placing on community organizations.

The study findings raise questions about the suitability of current funding models to accommodate the realities and capacities of community agencies.

This project has produced strong trend data on the major areas of funding shortfalls and described how agencies are coping in the short term. It is clear from the information gathered by this project that current funding practices and funding levels cannot be sustained for much longer by community organizations.

The need to reform program funding to community-based organizations is urgent.

The data identifies a community sector in acute financial distress. The areas of funding shortfalls coupled with the staffing cutbacks raise issues of program quality, and risk management for both Boards of Directors and government.

Both funders and Boards of Directors should address liability issues created by under-funding agency operations and move forward with quality control and risk management plans.

Community capacity has been drained away from local communities through funding practices that do not address the realities facing community organizations or recognize their dual role as service provider and community capacity builder. The community organizations are too valuable to let slip away. Moving forward with funding reform must be a priority.

Appendix A

Overview of The Workbook

An overview of the Workbook and the pilot testing is helpful to place the projects findings in perspective. More detailed information can be found in the companion technical report on the workbook and manual.[22]

The sample

Our data sample has information on 155 funded programs. Ten organizations of varying sizes completed the workbook.

The participants in the pilot testing are community organizations of different sizes (small under 1 million in revenues, medium 1-5 million, large over 5 million). These organizations were selected for their diversity. They provide a wide range of services, come from different communities across the City of Toronto, reflect a mix of old and new organizations, and receive program funding from a broad array of different funders.

The funded program sample was large enough to give us diversity in funding styles and a good sample from all three levels of government and other funders. While the small number of agencies allowed us to work closely with each one to understand their situation and be able to ensure the workbook accurately captured and reflected their situation.

The basic structure of the workbook

The workbook captures all revenue and expenditures. In allocating costs directly to programs, a prorated amount of shared organizational services is included.

We asked the agencies to allocate the actual program inputs to programs *without regard to where the funding was coming from.* Using Excel, the workbook ties into agency financial statements by capturing all sources of revenue and expenditures (we used the current budget year). Staff time was allocated to the various programs and non-staff expenses were allocated either directly to the applicable program, or, if shared, were allocated on a prorated basis across all cost centres.

Key Definitions

Common definitions of program, organizational capacity and fundraising functions coupled with fair and transparent cost allocation procedures underpin the workbook.
Currently there are no standard definitions or procedures that apply across agencies and across funders relating to program and core activities and costs. The lack of common approach has resulted in a wide variety of different approaches to defining and funding program and core organizational costs. In the workbook we developed standard definitions for these functions. The following definitions were used throughout this project.

[22] Technical Report on the Workbook and Manual, Phil Cowperthwaite and Lynn Eakin, CSPCT, April 2004

1. Core costs - fund the essential activities, facilities and supplies that permit an agency to deliver its programs with the added value funders expect from the voluntary sector.

Core Costs are broken out into four key functions. The activities listed under each function give an overview of the nature of the tasks involved. The exact activities and the amount of time required will differ between agencies depending on their size, service portfolio and other variables.

- **Human Resource Management**
  - Volunteer and student coordination and management
  - Labour relations
  - Benefits administration
  - Recruitment, orientation and training
  - Human resource management
  - Personnel and volunteer policy development and administration
  - Personnel files and records
  - Performance evaluations, reporting and references
  - Staff certifications, training, staff development,
  - Quality control activities
  - Workplace health and safety

- **Financial Management**
  - Financial policy development and administration
  - Budget preparation and management
  - Accounts payable and receivable
  - Financial reporting and remittance filings
  - Audit
  - Management and monitoring of building occupancy expenses, leases including equipment leases, program and office expenditures
  - Inventory and asset management
  - Payroll and associated records
  - Income tax filings, charitable filings, rebate claims
  - Insurance coverage
  - Capital and contingency planning and management
  - Advice to management and Board re financial management

- **Governance and Management**
  - Funder communication/relations, includes grant preparation
  - Board governance and oversight
  - Public policy participation
  - Strategic planning and plan implementation
  - Needs assessment and service planning
  - Inter-program and interagency coordination and networking
  - Community links, outreach and good will
  - Support and direction to front line managers
  - Senior management team leadership and coordination
  - Risk management
  - Crisis management
  - Program and agency policy development and implementation
  - Program development, enhancement and innovation
  - Accreditation

- **Agency Operations* (only those costs not charged directly to program)**
  - Reception and administrative support
  - Maintenance-buildings and equipment
  - Information technology support including data and financial system management, hardware and software purchase, maintenance and training
  - Office and location management
  - Client record management, program statistics/evaluations
  - Agency communications and information

- **Expenses related to core functions**
  - Expenses not allocated to programs - common and shared expenses
  - Expenses related to core functions and core staff.

2. Program Related Costs

- **Direct Staffing**
  - Front line staffing
  - Dedicated administrative staff time in supporting program, e.g. ride coordinator for transportation program, intake worker etc.
  - Frontline management of program and staff (Senior management is allocated to core)
- **Program administration costs and expenses - costs incurred directly to operate program including:**
  - Office/program space
  - Program supplies including direct charge administrative supplies
  - Telephone and equipment costs related specifically to program

3. Segregated costs

- **Costs that should not be charged to program funders**
  - Fundraising activities such as events, direct mail campaigns and other activities to raise charitable funds for the organization.
  - Fines, penalties

Cost Allocation Formula – The method for the division of costs between core and program, between different programs and for allocating core costs across the agency programs. The allocation formula for different splits in cost allocation between program and core will differ depending on what is fair and equitable.

- *Salary splits* are usually based on estimated or actual time spent.
- *Equipment and supplies* are based on actual or estimated usage or prorated by size of FTE in instances where use is similar or not relevant.
- *The cost allocation formula will always be documented* along with the rationale for selection.
- *Fairness and transparency* are the guiding principles in determining allocation formula.
- *Keeping it simple* for the agencies and the test of materiality are also key determinants in devising formula. Where the difference in allocation is immaterial between a complex tracking system and a simple easy to use formula, the latter will be adopted to minimize administrative costs.

Appendix B

Program Funders

Federal Government

Industry Canada
Citizenship and Immigration Canada
Department of Justice
Human Resources and Skills Development Canada
Health Canada
Canadian Heritage

Provincial Funders

Ministry of Citizenship, Culture and Recreation
Ministry of Community and Social Services
Ministry of Health
Ministry of Attorney General
Ministry of Colleges and Universities
Women's Directorate

City of Toronto

Community Services Grants Program
Homeless Initiative Fund
Family Resource Centres Program
AIDS Grants
Major Recreation Grant
Ontario Works
Children's Services

Other Funders

Royal Bank of Canada
Clarica
Trillium Foundation
United Way
Canadian Hearing
Delta
Toronto Foundation for Student Success
TAC Music
Centre for Addictions and Mental Health

Participating Agencies

Across Boundaries

City Of York Community Information Centre

COSTI Immigrant Services

Catholic Cross-Cultural Services (CCS)

Davenport Perth Neighbourhood Centre

Doorsteps Neighbourhood Services

East End Literacy

Education Wife Assault

Jane Finch Community and Family Centre

Lake Shore Area Multi-services Project (LAMP)

Malvern

North York Community House

Open Door Centre

Parkdale Activity Recreation Centre (PARC)

Sistering

St Christopher House

St Stephens Community House

Tropicana Community Services

Warden Woods Community Centre

Willowridge

Youthlink

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Appendix D - Agency Nomination Criteria

Core Costs Project - Agency Nomination Criteria

Since the purpose of this project is to determine appropriate and necessary levels of "core" funding for healthy agency and program operation we are looking to involve agencies that have the organizational and financial capacity to participate in developing the tool, funding norms and best practices.

Please suggest agencies in the various categories that you think would be in a position and willing to participate (during the November budget preparation cycle). If you are not sure of their budget size or situation place then where you think they should be and we will check they are in the correct category when we contact them. We are looking for organizations that have:

- A capacity for financial analysis and budget manipulation to separate the core costs from program expenses.
- Good organizational capacity and/or understanding of what is missing from their organization that is needed for organizational capacity. Since it is anticipated that many agencies have hollowed out cores we will be looking at current and needed core capacity for the various sizes of agency.
- A variety of agencies of different sizes, different funding realities and different service challenges. Funders struggle with this diversity so we need to work with similar diversity to gain the information broad overview needed on levels and costs of core funding needs.

You can volunteer your own organization and suggest others. The organizations suggested will be contacted to check the information and to see if they are interested and able to participate. Please complete the following nomination process as soon as possible by September 25 at the latest. Timelines are tight on this project.

The following are the definitions of the criteria for selection.

Ongoing funding – defined as funding that both the funder and agency reasonably expect to continue from year to year thought the actual funding amount may vary. Examples would be United Way member funding, Ministry of Health funding for community health programs etc.

No ongoing funding – Organizations who have no secure source of ongoing funding for programs. Examples would be organizations funded with short term, time limited grants. These grants may be multi-year but still short term. Examples would be Trillium grants, United Way grant funding, pilot project funding etc. We anticipate these agencies will be under $500,000 in size.

Core Costs Project - Recommendations of Agencies to Participate

completed by ______________________________ tel _________________
e-mail to lynn@lynneakin.com or Fax 416 968-2180

Recommended agencies

Fill in appropriate boxes. More than one can be suggested. Please provide agency name, contact name and telephone number	Receiving ***ongoing*** funding from ***more than two*** funding sources *may also have project/grant funds	Receiving ***ongoing*** funding from at ***least one*** funding source *may also have project/grants funds	Receiving only grant or project funding, ***no ongoing*** funding	***Special notes:*** Please indicate the following -Under 5 years old, -over 30 years old -separate administration funding -other specify
Annual Budget $249,000 or less				
Annual Budget $250,000- $499,000				
Annual Budget $500,000- $999,999				
Annual Budget $1,000,000 – $1,999,999				
Annual Budget $2,000,000- $2,999,999				
Annual budget $3,000,000- $4,999,999				
Annual Budget $5 million +				